

MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION

M P E R A

**100 North Park Avenue
PO Box 200131
Helena, Montana 59620-0131
Phone: 406-444-3154**

REPORTING HANDBOOK FOR EMPLOYERS

Chapter 15

Information Pertaining to the Following System:

**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM
(HPORS)**

For Use by All Payroll Clerks of Reporting Agencies

Chapter 15 - HPORS

Section 1 Membership

Section 2 Membership Cards

Section 3 Contributions Rates

Section 4 Service Purchases

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Membership - HPORS

Introduction

The Highway Patrol Officers' Retirement System (HPORS) is a public pension system that provides retirement, disability, and death benefits for Montana highway patrol officers, including supervisory personnel.

Besides general information, this chapter provides a summary of the law contained in Title 19, Chapters 2 and 6, MCA. Our staff conducted careful research to ensure this chapter accurately reflects the law that governs the HPORS. If this handbook differs from the law or rules as interpreted by staff, the law or rules will apply.

Mandatory Membership

Membership is required for all highway patrol officers and supervisory personnel in an HPORS-covered position.

Each employee in a covered position must complete a membership card upon employment. A member **may not stop membership without ending employment**. The employer must send the card to the MPERA with the first payroll report that lists the new member. **All newly hired employees must submit a new membership card even if they are already HPORS members.**

Each employee in a covered position must complete a membership card upon employment.

The MPERA will **not pay a benefit or refund** to a member unless the MPERA has a membership card on file. Members are responsible for keeping the information current. Members may update information by completing a new card and sending it to the MPERA. Marriage, birth of a child, divorce, and death of a beneficiary are some reasons for submitting an updated membership card.

Membership Cards - HPORS

New Employees

Each employee must complete a membership card on the first day of employment. The employee must complete both sides of the card. The employee must sign the card and a disinterested third party must witness the signature. The employer must send the card to the MPERA with the first payroll report which lists the employee as a new member. Please do not send a membership card prior to the first payroll report which lists the member. Instructions for completing the membership card are at the end of this section.

When to Update The Information

Members should update the information on their membership card every few years or when any of the information changes. Each year the MPERA sends a statement of account to all members, which also includes the beneficiary information on file with the MPERA. If the beneficiary information is out of date or wrong, the member should submit a new card. Members should complete a new card for any of the following reasons:

- Marriage
- Birth of children
- Divorce
- Death of a beneficiary
- Name changes for any other reason

The MPERA will contact the current beneficiary on file upon the death of a member. This information is extremely important and each member must keep it current and correct.

Refunds and other benefits cannot be processed unless a membership card is on file with the MPERA.

Statutory Beneficiaries

The member's present spouse and dependent children must be named on the back of the membership card. In accordance with statute, they are the member's survivors. They will receive a survivorship benefit. In the absence of a surviving spouse, the benefit will continue collectively to dependent children, until there are no dependent children.

Other Beneficiaries

A HPORS member may designate one or more other beneficiaries when completing the membership card. If the member leaves no surviving spouse or dependent child at the time of death, the designate beneficiary would be eligible to receive any balance in the member's HPORS account. The member may change beneficiaries any time by completing a new card and sending the card to the MPERA

Death Benefits

When a member dies before retirement, the member's surviving spouse, or dependent children, if there is no surviving spouse, must receive a survivorship benefit as stated below:

- If the member dies as a direct result of injury received in the course of employment, the benefit must equal 50% of the final average salary of the member.
- If the member's death is not the result of an injury received in the course of employment, the survivorship benefit is the actuarial equivalent of the early retirement benefit.

The terms beneficiaries, dependent child, surviving spouse, and survivor mean very specific things within the HPORS and are defined below.

Beneficiaries may be natural persons, trusts for the benefit of natural living persons and charitable organizations. A member may designate any of these beneficiaries on the membership card.

Dependent child means a child of a deceased member who is unmarried and under 18 years of age, or who is unmarried, under 24 years of age, and attending an accredited postsecondary educational institution as a full-time student.

Surviving spouse means the spouse married to a member at the time of the member's death.

Survivor means a surviving spouse or dependent child of the member.

If a member determines the beneficiary data on file with the MPERA is not correct, they should submit a new membership card.

Death Benefits

All newly hired officers should fill out a membership card even if they are already members of the HPORS. The employee should print or type all entries. See Figure 7 for a sample membership card.

1. **Check One.** Place a check beside Highway Patrol Officers' Retirement System (HPORS).
2. **Name.** The employee's last name, first name, initial, and other former names (a family name or previous married name). The employee should include any other last name that may be on file with the MPERA.
3. **Current personal mailing address.**
4. **Social Security Number.**
5. **Agency.** Agency that is presently hiring the employee or currently employs the member.
6. **Date of Birth.**
7. **Sex.** F for Female, M for Male.
8. **Check the appropriate reason** for submitting the card.
9. **Name, Social Security Number, Date of Birth, and Sex of spouse and dependent children,** if applicable.
10. **Beneficiaries.** One or more beneficiaries may be named to receive a lump sum payment of the member's accumulated contributions if there is no surviving spouse or dependent child. The member must provide the name, social security number, and the complete date of birth, sex, and relationship for each beneficiary listed. If a member lists more than one beneficiary, they will be on a **share and share alike** basis. The member may specify a different distribution under "Other."
11. **Third Party Witness.** A person who witnesses the member's signature and must be someone other than the spouse, dependent child, or beneficiary.
12. **Signature.** The member's signature and the date the card is signed are required.

If a member determines the beneficiary data on file with the MPERA is not correct, they should submit a new membership card.

When submitting membership cards with your payroll report, please verify the above items on each card. The MPERA must return all incomplete and incorrect membership cards. If you have any questions about completion of the membership card, please contact the MPERA **before** submitting the card.

System Requirements

| | | | | |
|--|----------------------------------|----------------------|--------------------------------|-------------------------------|
| Revised 9/01 (DO NOT USE EARLIER EDITIONS) | | | | |
| State of Montana Montana Public Employee Retirement Administration P.O. Box 200131 Helena, Montana 59620-0131 Telephone: 1-877-275-7372 outside the Helena area, or 444-3154 in the Helena area | | | | |
| MEMBERSHIP CARD | | | | |
| Check One ? HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM (HPORS) ? MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM (MPORS) ? FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM (FURS) Includes part-paid firefighters <u>voluntarily</u> electing membership in FURS. Once chosen, membership for part-paid firefighters continues until they terminate service and withdraw their contributions. | | | | |
| **PLEASE USE INK AND PRINT OR TYPE** | | | | |
| Name: (Last) | (First & MI) | (Previous Last Name) | Social Security Number | |
| Home Address: (Street /P.O. Box/Rural Route/etc.) | | (City) | (State) (Zip) | |
| Agency by which presently employed | | City | Mo Day Yr Sex Date of Birth | |
| CHECK APPROPRIATE BOX: ? NEW MEMBER/HIRE ? NAME CHANGE ? CHANGE SPOUSE, DEPENDENT CHILD OR BENEFICIARY/OTHER | | | | |
| YOU <u>MUST</u> COMPLETE THE REVERSE SIDE **DO NOT FOLD** | | | | |
| **PLEASE PRINT OR TYPE ** | | | | |
| <u>SPOUSE/DEPENDENT CHILDREN</u> | | | | |
| <u>SPOUSE:</u> | NAME (Last, First and MI) | DATE OF BIRTH | SEX | |
| <u>DEPENDENT CHILDREN:</u> | | | | |
| I nominate the following beneficiaries to receive payment in the absence of any surviving spouse or dependent child. NOTE: If you list more than one beneficiary, they will be on a share and share alike basis; if you wish a different allocation , please specify under Other. | | | | |
| <u>BENEFICIARIES:</u> | NAME (Last, First and MI) | DATE OF BIRTH | SEX | RELATIONSHIP TO MEMBER |
| | | | | |
| | | | | |
| Other | | | | |
| | | | | |
| THIRD PARTY WITNESS - REQUIRED | | DATE | MEMBER SIGNATURE - REQUIRED | |

Figure 7
Membership Card (Front and Back)

Contribution Rates - HPORS

Member Contributions

The retirement statutes set the member's contribution rate and only the legislature may change the rate. Since July of 1985, the taxes are deferred on member contributions and the interest these contributions earn. Tax deferred means the member does not pay taxes until receiving the contributions as a refund or a benefit. The employer must compute and deduct the contributions from the employee's pay before deducting federal and state taxes. The current contribution rate is 9% of the employee's total compensation for members who did not elect the Guaranteed Annual Benefit Adjustment (GABA) and 9.05% for those members electing the GABA.

Employer Contributions

Current law also requires the state of Montana to contribute 36.33% of compensation paid to HPORS members. Of this percentage, the employer must contribute the amount of 26.15% and the other 10.18% is paid from a portion of fees from drivers' licenses and duplicate drivers' licenses. Each month, the employer must send the total employee and employer contributions to the MPERA. The MPERA will put the contributions in the trust fund.

Additional Service Purchase Contributions

Any member may contribute beyond regular contributions, but **only to purchase service**. The next section explains service purchases. The member must select a payment schedule provided by the MPERA. An active member can make monthly payments by tax-deferred payroll deduction. These contributions **are** tax deferred and should be deducted **before** computing federal and state taxes.

Service Purchases - HPORS

General

H PORS members may purchase certain types of service for retirement credit. Some service will count as both service and membership credit, and some will only count as service credit. The following table lists the type of service and the computer code which identifies the service.

| SERVICE | CODE |
|-----------------------------|------|
| Refund | 025 |
| Military | 026 |
| 1-for-5 | 040 |
| Other Public | 042 |
| Retro Coordination | 046 |
| Refund Coordination | 047 |
| Active Account Coordination | 048 |

The member may pay the cost in one lump-sum or monthly payments. Active members may make monthly payments by tax-deferred payroll

Members who want to purchase service must send a **written request** to the MPERA to receive a cost statement. The member may pay the cost in one lump-sum or monthly payments. Active members may make monthly payments by tax-deferred payroll deduction. Inactive vested members, members not paid monthly, or members who wish to self-pay, may send payments directly to the MPERA. (These payments are not tax-deferred.)

The MPERA will account for monthly contributions to purchase service in a separate account. When payment for the service is complete, the contribution for the service purchase will become part of the member's accumulated contributions. These contributions accumulate interest which is tax-deferred.

The member must sign and file a *Payroll Deduction Authorization* form to take advantage of the tax-deferred payroll deduction. Instructions and a sample form are at the end of this section. This irrevocable agreement may not be terminated except by death or termination of employment. The payment schedule cannot be less than three months or more than 60 months (five years).

System Requirements

Members may not receive credit for the same service in more than one retirement system.

Military Service

Refunded Service

Other Montana Public Service

If the service purchase is not completed before the member retires, the service credit will be pro-rated; or, the member can make a lump sum payment to complete the service purchase. Members may not receive credit for the same service **in more than one retirement system**.

The following paragraphs briefly describe some types of service a member may buy. This section does not discuss service purchases in detail and is only a summary of the procedures. Members may purchase service and may also transfer service from other Montana public retirement systems.

Postponing a purchase may increase the cost, since the calculation may use a higher salary or include more interest. Any member interested in buying service should write or call the MPERA for details.

A member may buy up to five years of active military service when they have at least 15 years of membership service. A member may purchase one year of military service for each year of HPORS service credit in excess of 15 years. (e.g., a member with 16 years and seven months of service credit may purchase up to one year and seven months of military service).

Members who received a refund of their HPORS account from previous employment may qualify this service as membership and service credit. The member must repay the contributions plus interest that would have accrued had the member not taken a refund. Requests to purchase refunded service must include the following: the approximate dates of service, the employer's name, the member's social security number, and the member's last name during the service. All previous names are needed because the MPERA may have data filed under those names. For example, a member may have changed names due to marriage or divorce. The MPERA will research the previous service and provide the member with a cost statement.

A HPORS member may at any time before retirement, qualify public service from other statewide retirement systems. The member must have received a refund, or be eligible to receive a refund, of the member's accumulated contributions in the other system. To qualify the service, the member must send the MPERA as much information as possible about the other retirement system and employment. The information must include proof the member terminated employment covered by the other system.

**Payroll Deduction
Authorization**

HPORS members who choose to purchase service by payroll deduction must complete the *Payroll Deduction Authorization* form. Refer to the sample form on the next page. Employers must sign this form and immediately send it to the MPERA when it is completed by the member. The member and employer each keep a copy and the MPERA receives the original.

Section I.

This section provides information regarding this irrevocable contract. The contract may not be revoked, except if the member dies or terminates service.

Section II.

The MPERA will complete the first part of this section as follows:

1. **Number of months** of service the member has contracted to purchase.
2. **Type of service** the member is purchasing.
3. **Number of the Section of the Montana Code Annotated (MCA)** which provides for this service purchase.

The Employee must complete the following:

1. **Amount per month** to be withheld from the employee's salary.
2. **Number of months** this amount is to be withheld.
3. **Date** the payroll deduction will begin.
4. **Signature of Member and Date.**
5. **Name of Member** (printed).
6. **Social Security Number** of member.

The employer must complete the bottom of the form:

1. **Signature of Employer Representative.**
2. **Title and Telephone Number** of Employer Representative.
3. **Date** of Signature.

**MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION
PO BOX 200131
HELENA, MONTANA 59620-0131
(406) 444-3154 or (877) 275-7372**

PAYROLL DEDUCTION AUTHORIZATION

Members of retirement systems administered by the Public Employees' Retirement Board may purchase refunded service and other types of optional service by the terms in Title 19 of the Montana Code Annotated. If you choose to pay by tax deferred payroll deductions, you must complete this irrevocable contract.

- I. By signing this contract you agree to the terms of Title 19, Montana Code Annotated (MCA), including the following:
1. This contract and specifically the payroll deduction may not be revoked, except if you die or terminate service. (Termination of service is defined in Section 19-2-303, MCA).
 - A. Upon termination, you may pay the balance due for the service being purchased under this contract. The balance due must be paid directly to the Board in a lump sum.
 - B. Upon death, your estate may pay the balance due for the service being purchased under this contract. The balance due must be paid directly to the Board in a lump sum.
 2. The minimum length of time for this contract is 3 months and maximum is 60 months.
 3. Your employer must pick up the payments (additional contributions) for purchasing this service, and you will not have the option to directly receive the amount deducted for the payment. Although designated as employee contributions, your employer must send the payments (additional contributions) directly to the Board.
 4. While this contract is in effect, the Board will accept payment only from your employer. The Board will not accept payment from you for the type of service being purchased by this contract.
 5. This contract will only apply to compensation earned for services after the effective date and will not be effective until you and your employer's authorized representative sign it.
 6. You may enter into more than one contract to purchase service by payroll deduction. However, a subsequent contract may not amend this authorization.
- II. I agree to the above terms and direct my employer to make the following deductions from my salary to purchase ____ months of _____ service under Section 19 - ____ - _____, MCA.
- \$_____ per month withheld for ____ months starting on _____

Employee MUST complete ALL blanks remaining above.

| | |
|-------------------------------------|------------------------|
| Signature of Member (employee) | Date |
| Name of Member (employee) - Printed | Social Security Number |

The employer agrees to make the deductions required by this contract.

| | | |
|--------------------------------------|----------------------------|------|
| Signature of Employer Representative | Title and Telephone Number | Date |
|--------------------------------------|----------------------------|------|

Member keeps pink copy, employer keeps yellow copy, and MPERA receives white original form.

**Figure 8
Payroll Deduction Authorization Form**

Absences - HPORS

Work-Related Illness or Injury

A member may qualify an absence due to a work related injury or illness as membership service. The absence may not exceed five years and must be determined to be work related within one year after the end of the absence. If the absence meets these two conditions, it will be credited as membership service. To qualify the absence as service credit, the member must meet the following additional requirements:

1. The illness or injury must qualify the member for Worker's Compensation payments.
2. After returning to work, the member must notify the Board in writing of the member's intention to pay the contributions due.
3. The member must pay the contributions he would have paid had the member not been absent.
4. If the member received a refund of his accumulated contributions, the member cannot qualify the period of absence.

After returning to work, the member **must** complete the *Election to Qualify Absence* form. **The employer must send the completed form to the Montana Public Employee Retirement Administration, regardless of the member's election.** The form serves as written notice of the member's intent to pay the contributions if the member so elects. Instructions and a sample form are at the end of this section.

For the member to qualify the absence, the employer must certify the salary the member would have earned if not for the absence.

For the member to qualify the absence, the employer must certify the salary the member would have earned if not for the absence. The MPERA will determine the amount of the member and employer contributions and interest due. A member may pay the cost in one lump-sum payment or by installment payments. The Board will grant a member one year to pay the balance due without interest.

The employer must pay the employer's contributions but is not required to pay the interest due on the employer's contributions. An employer who pays the interest must do so for any other member in a similar case. If the employer declines to pay the interest on the employer's share, then the member must pay the interest.

**Election to
Qualify Absence**

Refer to the sample form on the next page.

1. **Name**, the member's last and first name, and middle initial.
2. **SSN**, the member's social security number.
3. **Dates of Absence**, include the entire period of absence.
4. **Initials**, ensure the member initials only one choice.
 - Does **not** wish to purchase disability absence.
 - **Does** wish to purchase service. The MPERA will prepare a cost statement and send it to the member.
5. **Signature of Member** and date signed.
6. **Address** of the employee.
7. **Employing Agency**, name of agency employing the member when the absence occurred.
8. **Contact Person**, the name of an official from the employing agency whom the MPERA staff may contact.
9. **Mailing Address** of the contact person.
10. **Official's Signature** and date signed.
11. **Telephone Number** of the agency official.

For the member to qualify the absence, the employer must certify the salary the member would have earned if not for the absence.

The member must complete this form within 12 months of returning to work. The member is not bound by the choice made on this form and may change the choice later.

MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION
PO BOX 200131
HELENA MT 59620-0131

ELECTION TO QUALIFY ABSENCE

To Receive Service Credit for an absence covered under Worker's Compensation.

Please Print:

Name _____ SSN _____

Dates of Absence - From _____ to _____

My employer has advised me that I may make contributions for the above absence and receive service credit.

_____ I DO NOT WISH TO QUALIFY THIS SERVICE.
(INITIALS)

_____ I DO WISH TO QUALIFY THIS SERVICE - PLEASE PROVIDE THE COST.
(INITIALS)

Signature of Member _____ Date _____
Street Address _____
City, State, Zip _____

EMPLOYER CERTIFICATION - REQUIRED:

Employing Agency _____
Contact Person _____
Street Address _____
City, State, Zip _____

Officials Signature _____ Date _____
Telephone Number _____

ATTENTION : This form must be submitted to the MPERA within one year of the employee returning to work. You should retain a copy for your records and forward the original to the MPERA. If the employee elects to qualify this service, you must certify the salaries this employee would have earned if not for the work related absence. A certification form is attached. Reference 19-3-504, 19-6-810, 19-7-810, 19-8-905, MCA.

**Figure 9
Election to Qualify Absence**

Final Salary - HPORS

General

The MPERA must have the last month's salary, and any payout the member received, to calculate the retiree's final retirement benefit.

One factor used to calculate a retiree's monthly benefit, is the highest average compensation (HAC). For the HPORS, highest average compensation is the average of the member's highest three years of salary. Normally, because people receive raises and promotions throughout their careers, the last three years of salary are the highest. The MPERA must have the last month's salary, and any payout the member received, to calculate the retiree's final retirement benefit.

The MPERA may pay a retiree an estimated benefit while determining the final benefit, but for no more than three months. If the MPERA cannot determine a final retirement benefit after three months, benefit payments to the member will stop. Benefit payments will not resume until the MPERA determines the final retirement benefit.

Certification of Final Salary

*Employers must complete and return the form to the MPERA **within 30 days** of when the member retired.*

When a member requests retirement, the MPERA will send the appropriate forms to the member. First the member must complete and return all forms to the MPERA. The MPERA will then send the employer a *HPORS Final Salary* form. The employer must verify the final salary; this data is used to compute the member's final retirement benefit. Employers must complete and return the form to the MPERA within 30 days of when the member retired. Any delay in returning the final salary information to MPERA may result in the stop of the retiree's benefit.

Final salary for the HPORS includes all compensation paid to the member. Compensation means any payments to an employee from funds controlled by the employer. A lump-sum payment may not be added to a single month's compensation.

A final salary form must contain details through the **last day** of the member's employment. A member's last day of "work" may not be the last day of "employment." For example, if a member works until March 10 then uses annual leave or sick leave until March 31, the **last day of employment** is March 31. The employer must certify the hours of regular, overtime, annual leave, and sick leave. Total hours must match total payment for the reported period. (In other words, the total hours times the rate of pay must equal the total payment.)

System Requirements

Instructions for Completing the Form

The MPERA requires the number of regular, annual leave, sick leave, and overtime hours, the correct hourly rate, and the amount paid.

Following are the instructions for completing the *Final Salary – HPORS* form. The MPERA will complete the top part of the form. Refer to the following sample for information on the section which the employer must complete.

1. **Last day of work.** This includes sick leave or vacation leave your employee uses. If your employee ends employment on February 28, but stays on the payroll using vacation or sick leave until March 31, then March 31 is the last day of employment.
2. **Date of termination.** This is the last day of employment. If your employee ends employment on February 28, but stays on the payroll using vacation or sick leave until March 31, then March 31 is the last day of employment. If the member takes leave without pay until July 10th, the date of termination is July 10. The member is not eligible to receive any retirement benefits until termination of employment occurs.
3. **Final payment.** You must provide a breakdown of the hours reported on the member's final paycheck. The MPERA requires the number of regular, annual leave, sick leave, and overtime hours, the **correct hourly rate**, and the amount paid.
4. **Total**, should equal the total paid to the member.
5. **Period of Termination Final Payment**, is the last payroll period for which the member will receive a check or payment. If payment for vacation, sick leave, or final regular hours will be for March, then March is the period of separation. This example assumes a monthly pay period, but if your pay periods are different, use whatever your pay periods are. In addition to the pay period ending date you must provide the salary paid and contributions withheld.
6. **1st and 2nd Period Before Termination**, should reflect the total salary paid and contributions withheld for those periods. (In the above example, the first and second pay periods will be February and January, respectively.) Salary and contributions for the two preceding and separation pay periods must agree with the amounts reported by the payroll reports.
7. **Signature**, of the person who prepared the form.
8. **Title**, of the person who prepared the form.
9. **Date** prepared.
10. **Telephone Number**, of the person who prepared the form.

MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION
PO BOX 200131
HELENA MT 59620-0131
406-444-3154

Final Salary- HPORS

TO: NAME:
SSN:
FOR:

This employee submitted a RETIREMENT application stating a termination date of [Retirement Date]. If this member has not terminated or is using vacation or sick leave on a daily basis after this date, please contact this office immediately. Complete this form and furnish the following information at the **earliest possible date**. The amounts shown below **must** agree with the amount reported to the MPERA. Payment for annual and sick leave should be paid in a lump sum (unless otherwise specified by the employee) and contributions must be withheld from all compensation.

Last day of work (sick leave, LWOP or vacation) _____ Date of Termination _____

| Final payment for: | Hours | Rate | Amount |
|--|-------|------|--------------|
| Regular Hours | x \$ | = \$ | |
| Annual Leave | x \$ | = \$ | |
| Sick Leave | x \$ | = \$ | |
| Overtime | x \$ | = \$ | |
| Other..... (Shift differential, compensation pay, etc.) | x \$ | = \$ | |
| | | | \$ _____ |
| Report salary and contributions by pay period | | | TOTAL |

| | Pay Period Ending Date | Salary Paid | Contributions Withheld |
|---|---------------------------|-------------|---------------------------|
| Period of Termination Final Payment (Include all final pay.) | | | |
| 1st Period Before Termination | | | |
| 2nd Period Before Termination | | | |

I certify the above employee terminated employment with this agency and the information is complete and accurate to the best of my knowledge.

Preparer's Signature _____
Title _____
Date _____ Telephone Number _____

**Figure 10
Certification of Final Salary Form**

Working Retirees - HPORS

| General | Not applicable for HPORS. |
|---------|---------------------------|
|---------|---------------------------|